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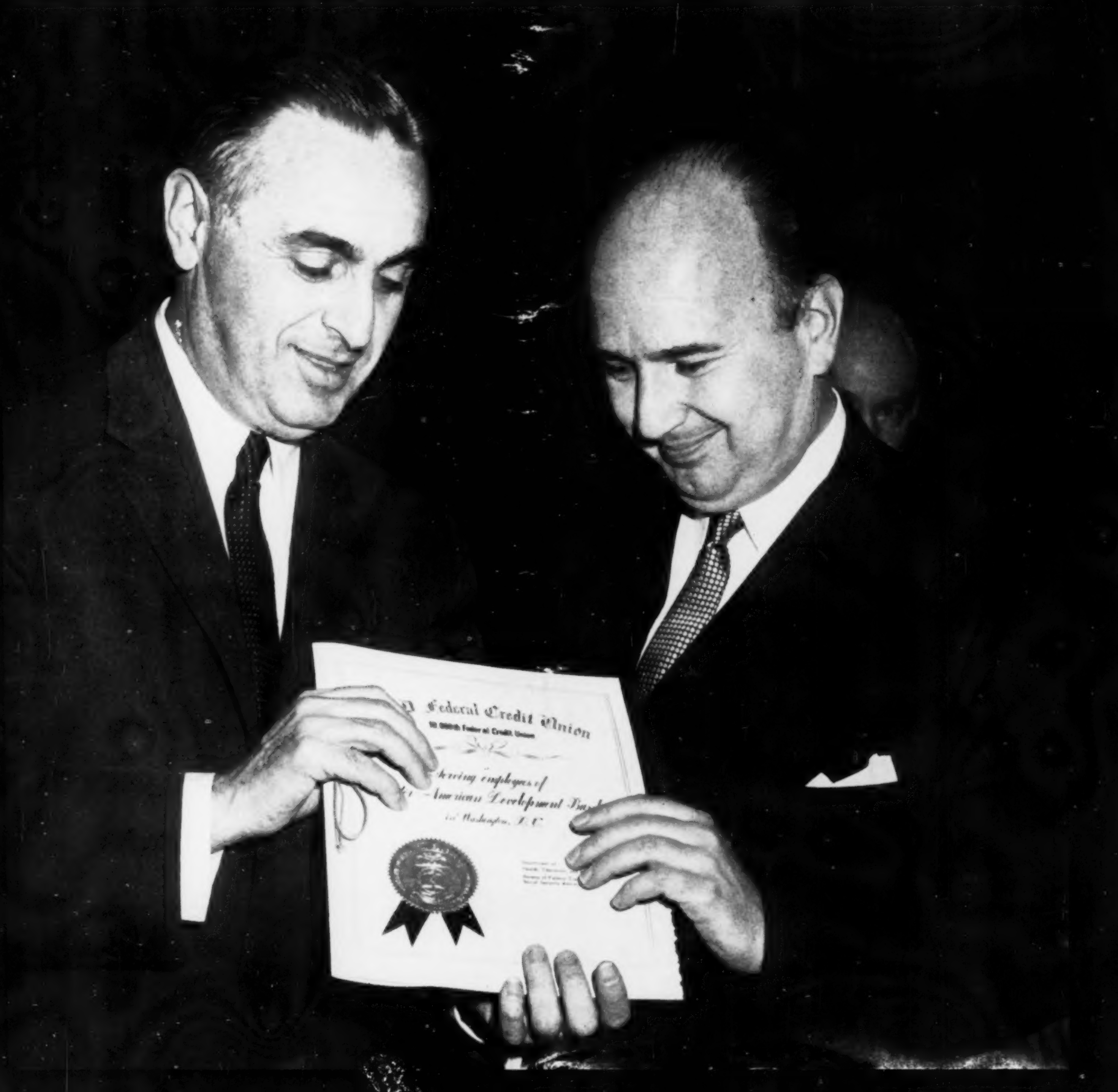
The Credit Union Bridge

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.



ON THE COVER

There are now 10,000 active federal credit unions. Employees of the Inter-American Development Bank, in Washington, D. C., got the charter with the magic number. On the cover is Abraham Ribicoff, Secretary of Health, Education and Welfare, handing the new charter to Felipe Herrera, president of the bank.

The Credit Union *Bridge*

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Vol. 26 No. 5

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Collection agencies

All subscriptions received before the 12th of the month start with the current issue. Subscriptions received after the 12th start with the next issue. Changes of address can be handled much more expeditiously if the name of the credit union or the code number on the mailing address is included along with the old and new addresses. The Credit Union Bridge would also appreciate it if you would mark all renewal subscriptions with the word "renewal."

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Member of Co-op Editorial Assn.

President Leonard R. Nixon

Manager Melvin H. Brussow

25 YEARS

Owned outright by the leagues, this printing and supply service has made great progress in recent years. Chief problem has been finding a pricing formula.

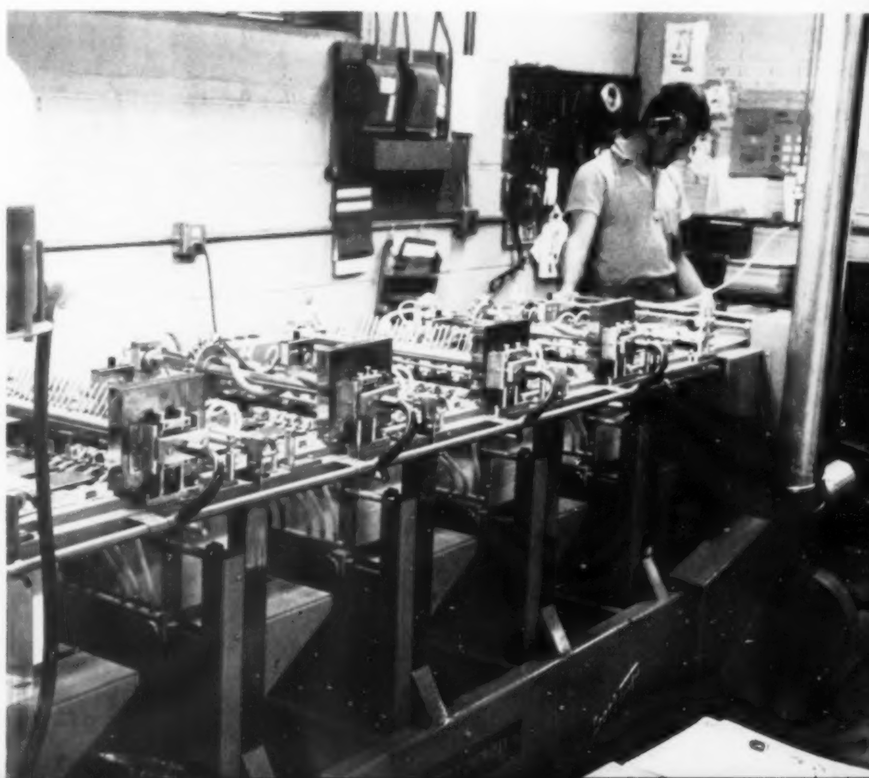
"During the early days," says Karl S. Little, "we were complete novices in running a supply organization." Little, now managing director of the Utah State Credit Union League, was president of CUNA Supply Cooperative from 1942 to 1948. "We tried many experiments. Some of them were successful, quite a few were not. But in the end, the movement benefited from these mistakes, which gradually taught us how to find and meet the supply needs of credit unions. Gradually we acquired the background for later studies, which brought about important operational changes and laid the foundation for CUNA Supply's significant recent growth."

Last year CUNA Supply's net sales totaled $924,600, more than twice the cooperative's 1953 sales ($440,200), and more than eleven times its 1946 net sales volume ($82,200).

Says Leonard R. Nixon, managing

Left: CUNA Supply's up-to-date machinery includes this high speed collator which attaches carbons and gathers up to 20,000 pieces per hour.

Right: The cooperative has 10 presses with an hourly capacity of 52,900 impressions or more than a million $8\frac{1}{2}$ x 11 inch sheets.



WITH CUNA SUPPLY

director of the Connecticut Credit Union League and CUNA Supply's unpaid president since 1955: "There is every reason to expect that the continuing growth of the credit union movement will soon raise CUNA Supply's annual net sales above the $1 million mark."

Among the major factors that have brought CUNA Supply to its present size, are these:

- The primary purpose of CUNA Supply has always been expressed as "providing bookkeeping supplies and educational materials at the lowest rate possible." In practice, this has involved some difficult problems, since CUNA Supply is not free to use competitive methods, such as special price concessions, to keep idle presses busy. However, periodic evaluations of credit union needs have helped keep production plans realistic. Also, a few years ago, a major revision of price scheduling was adopted, with quantity discounts to encourage larger purchases.
- Close teamwork with Leagues and supervisory authorities has given CUNA Supply materials authenticity. Uniform accounting procedures and forms have been developed in this way; and distribution has been improved in many areas by League supply depots, making for speedier delivery. During 1960, about half of CUNA Supply's sales went to Leagues.
- Expansion of plant and equipment has gone along with the growth in the number of credit unions. The CUNA Supply plant occupied 1600 square feet in 1936, now occupies more than 20,000 square feet. Modern presses produce high quality work at low costs.
- The development of modern promotional materials, tied in with Operation Impact, as well as customized bookkeeping forms, leaflets and letterheads, has made CUNA Supply an important factor in encouraging credit union growth. Contact with credit unions has been maintained through the newletter, *Impact*. Suggestions and requests from credit unions and Leagues have been encouraged, and these have led to many new services.

Early beginnings

CUNA Supply Cooperative is the second supply organization that has served the credit union movement. Its predecessor was the League Central Committee, created in Boston in 1930 by the Credit Union National Extension Bureau.

The League Central Committee furnished forms at cost to most Leagues and credit unions then in operation. It was dissolved late in 1934 when the Credit Union National

Extension Bureau was absorbed by CUNA.

League Central Committee turned over its entire assets to CUNA. When CUNA Supply was founded in March, 1936, CUNA transferred all former League Central Committee property to the cooperative. These assets consisted of some $9,000 in cash; a mimeograph machine; a paper cutter; and a metal stacking device, used to make padded forms.

"We still use the stacking device in our padding operations," says CUNA Supply manager Melvin H. Brussow, who has been with the cooperative for twenty-three years. "It's just as solid as it was on the day on which it was bought. It may look just a little bit old-fashioned next to our modern printing and bindery equipment, but it's as up-to-date as if we had bought it last year. And we'll continue to use it until someone invents one that works better and cheaper."

League owned

CUNA Supply is owned and operated by its membership. Credit union leagues affiliated with the Credit Union National Association are eligible to join. At present the cooperative has sixty-three members, of whom sixty-one are leagues. The other two are the Credit Union National Association and its insurance affiliate, CUNA Mutual.

CUNA Supply's voting delegates convene each May during the week of the CUNA board meeting. Each member League appoints one voting delegate, who must be a director of the Credit Union National Association serving at the CUNA meeting. CUNA and CUNA Mutual choose their delegates from their own boards. A twelve-member board is then elected by the voting delegates, who caucus for this purpose according to the political boundaries of the CUNA districts. The twelve board members serve staggered three-year terms. From their own ranks the board elects a president, vice-president, secretary and treasurer. The managing director and comptroller under the by-laws must be the managing director and comptroller of the Credit Union National Association.

"Either our full board of directors, or our four-director executive committee, usually meets four times each year during the week of CUNA's executive committee meetings," says CUNA Supply's president Leonard Nixon. "We also have a special CUNA Supply study committee, which usually meets quarterly. This committee consists of CUNA Supply board members and a representative of the International Association of Managing Directors. It has put in long hours and made many major contributions toward improving CUNA Supply's structure, operations and services."

Problems

Two problems have required almost continuous attention from CUNA Supply's board: operating space and price formulas. A third major problem arose in the 1950's—the problem of tax status.

• **Operating space.** The supply organization's first "shop" consisted of four rooms in a building briefly called Raiffeisen House in Madison, Wisconsin. This building already served as headquarters for the Credit Union National Association and CUNA Mutual Insurance Society. Total space allotted to CUNA Supply was 1,600 square feet. Hubert C. Griffin, CUNA Supply's assistant manager who joined the cooperative's staff in 1937, recalls: "We were so crowded in the old Raiffeisen House that we had to use a basement window as our shipping and receiving dock."

Moving the home of CUNA and affiliates to another building in 1940,

(Continued on page 22)

CUNA Supply's former presidents include Karl S. Little, now managing director of the Utah State Credit Union League; William O. Knight, Jr., now managing director of the South Dakota Credit Union League; and Matt Pottiger of Pennsylvania.

EXPANDING LEAGUE SERVICES

James C. Simmons, managing director of the Mississippi League, James T. Vest, director of the Texas League's stabilization service and William C. Smith, the Alabama League's managing director, are in constant search for new methods to improve their services to member credit unions.

The services credit unions ask for multiply almost as fast as credit unions. Leagues are racing to keep up.

NOTHING has been more important in the recent growth of the credit union movement than the growth of league services.

Shortly after World War II the leagues began to be transformed. They developed educational programs, publications, public relations programs, technical assistance programs and more recently — collection programs, stabilization programs and integrated bookkeeping programs.

They are still at it. This random Bridge survey shows the leagues are expanding their services in many directions.

Among the things they are trying to do right now is simplify the routine work of smaller credit unions, bring family financial counseling to the forefront, and integrate their public relations and legislative programs.

This survey covers just eleven leagues. Most other leagues would have equally interesting developments to report.

Alabama

The Alabama Credit Union League is now operating under a five-year program voted by the League's 1960 convention. As a part of this program, the League has established two new departments and created a series of new activities and services.

• **Publications department.** This one-man department produces statistical analyses of the growth of the state's credit unions; gathers, writes and edits material for the

League's yearbook; selects, edits and writes articles for the League's monthly publication which is sent to all credit union officers and all college libraries in the state; co-ordinates League publicity for Credit Union Day; drafts news releases; develops fact sheets for newspapers and writes sample promotional letters to assist individual credit unions with membership development.

Also included in the department's responsibilities is the preparation of a series of "how-to" bulletins on such subjects as: "improving your credit union's public relations," "providing good credit counseling," "developing a good public speech," "analyzing a credit union financial report," "lending out the money," and "providing an adequately staffed credit union."

Ralph G. Bendel, managing director of the Oklahoma League, sees substantial benefits in operational surveys. Jack Dublin, director of Michigan's member services, says that data processing will free our leaders from routine duties. Alabama's George R. Weir has charge of the League's publications department.

• **Supply department.** During its first nine months of operation, Alabama's supply department had gross sales of $97,000. The Alabama League purchases most of its supplies from CUNA Supply Cooperative. A few of its special state forms—chattel mortgages, inter-lending notes, and collection request forms—are printed at a local offset press.

• **Legislative program.** The Alabama League has a legislative committee of three members. In addition, three of the League's chapters have legislation study committees which serve as intermediaries between the credit unions and the League's committee. The chapter committees also double as action committees whenever the League or CUNA needs grass roots support for pending legislation.

To develop widespread understanding of legislative problems, the League's legislative committee urges the credit unions in each of the state's congressional districts to send a representative at their own expense to CUNA's annual legislative conference in Washington, D. C. Says William C. Smith, managing director of the Alabama League: "These legislative representatives, augmented by our League legislative committee, serve as our ambassadors from Alabama's nine congressional districts—both in Washington and throughout the state. They report back to their respective chapters after each CUNA legislative conference. And they find that their credit unions, chapters and the League benefit from this experience because they are better informed."

• **Remedial and salvage service.** This technical assistance program utilizes the combined efforts of the League's field staff and local housewives trained in bookkeeping. The fieldmen serve as coordinators. They are responsible for gathering information, giving local assistance wherever possible within their travel schedules, and developing the program on the local level by training local housewives to give continuous aid to groups in need of bookkeeping assistance. Payment for the housewives' services is made by the individual credit union at local rates.

Dissolving credit unions which are unable to find a liquidating agent, receive League assistance in locating a volunteer to perform this service. If this search is unsuccessful, the League itself assumes the duties of liquidating agent.

Comments a League official: "Our goal is to employ a full-time staff person to co-ordinate our remedial and salvage service on a state-wide basis."

• **Recognition program.** Alabama makes three annual awards at its League convention. They are for (1) credit union of the year, (2) credit union man of the year; and (3) credit union organizer of the year.

Awards are recommended by an awards committee which is appointed by the League president fifteen days after the annual election of League officers. The committee consists of the president and one League director from each League district. The procedure of the seven-member committee is to review the questionnaires sent out to all League-affiliated credit unions.

• **Personnel program.** Under its personnel program, The Alabama League provides a detailed job description for each position and furnishes each employee with a personnel manual which sets forth the hours of work, fringe benefits, procedures for promotion and demotion, vacation and sick leave policies, annual merit increases for each position classification, and policies for reimbursable expenses.

"Our board reviews these personnel policies annually," says one of the League's directors. "A personnel committee of three board members handles all personnel problems at a special meeting just prior to each quarterly board meeting. Our employees have the right to appeal to our personnel committee if they are unable to clear a grievance through the managing director."

Illinois

In recent months the Illinois Credit Union League has prepared a 100-page operating manual and a 45-page survey report on large credit unions.

• The **operating manual,** "Managing Your Credit Union," serves as

a yardstick for operating officials. It has a detailed three-page index in the back. Its table of contents lists these topics: maintaining the records, keeping the books, framing the policies, lending the money, administering members' shares, insuring the members, informing the members, safeguarding the money, bonding the officials, insuring special risks, using the League and CUNA, holding the annual meeting, investing the surplus, paying a dividend, hiring the employee, collecting the loan, counseling the family, working with government, the credit union language, and standard credit union bylaws.

"We like to consider our operating manual as a helpful guide for treasurers, officers and managers," says William H. Brietzke, managing director of the Illinois Credit Union League. "It should not be regarded as a rigid rule. We published it because many of our member credit unions expressed a need for a manual which combines the useful information in a large variety of credit union literature."

• Illinois' **large credit union survey** provides a comprehensive view of the operational practices and policies of 139 Illinois credit unions with assets of a half-million dollars or more.

This survey is based on a written questionnaire of some 130 questions. It went to 164 credit unions. The participating groups' identity is kept confidential through a coding system.

Major categories covered in this survey include: General information, space, personnel, fringe benefits, financial, education and promotion, insurance coverages, dividend record, other information and comments.

Reports managing director Brietzke: "The detailed operational data obtained from our survey—some of them of a most intricate and personal nature—have already benefited many of our credit unions to an important extent. In point of man-hours required, this survey was expensive. Our League staff toiled many hours to compile the large volume of statistics into a readable report. But the information gained from this comprehensive inquiry is tremendously useful in gaining a better understanding of the practices, procedures, policies and problems of our large credit unions."

Maryland

In response to requests of forty-three credit unions, the Maryland Credit Union League last year started a collection department.

Called League **creditor's service**, the department began operations with a League loan of $1,000 for initial supplies. Today it handles 230 accounts for 40 credit unions. The total amount of these delinquent loans is $30,746. In addition, the League has referred to its attorney 193 loans with a volume of $24,579.

League creditor's service uses a series of three letters to notify the delinquent member that the credit union has transferred the account to the collection department. If these letters fail to bring a satisfactory response, the account is turned over to the League's counsel.

"There is an urgent need for a credit union-minded collection service in our state," says S. J. Domenick, managing director of the Maryland Credit Union League. "Many of our member credit unions do not have the time and staff to do effective collection work. And since we were already helping liquidating credit unions with their collection problems, it was a natural step to begin thinking in terms of providing this service for all of our credit unions."

Continues Domenick: "At present, our collection service is still costing us money. It is now handled by a League staff member who spends two days each week with collection matters. But ultimately we expect this service to be self-sustaining under the direction of a full-time attorney."

To reduce the operating deficit of League creditor's service, the Maryland League may soon require a registration fee of $3 to $5 for each account entered for collection.

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THE GENTLEMAN FROM NORTH

Hubert Rhodes came into the credit union movement from a job in the post office in Raleigh, North Carolina. His gentle persistence made him an outstanding credit union organizer and a valuable legislative representative.

In the early days, Hubert Rhodes' height and youthfulness made him stand out in all group photos, and became a natural takeoff for clowning after business meetings. The group of three shown above, with Rhodes towering in the middle, includes the sizable Charles G. Hyland on the right and tiny Edward A. Filene at the left. They are all wearing black paper mustaches and trying hard to amuse the photographer. Just above and to the left, Rhodes dwarfs six-footer Joe DeRamus of Illinois.

CHATTING in a relaxed mood at his home in Arlington, Virginia, just a week before he died, Hubert Rhodes admitted he really liked organizing credit unions better than anything he had ever done.

"There's a great satisfaction in seeing people take hold of this idea and do something with it," he said. "I don't know how many credit unions I've organized, exactly, but it's somewhere between two and three hundred. I always got a thrill out of it."

When a credit union was organized in the post office in Releigh, North Carolina, in 1923, the tall youthful Rhodes became treasurer. This gave him his start. He organized other postal groups in his home state, and some teacher groups. He helped set up the Credit Union National Association. He worked briefly for the new Federal Credit Union Section. For a while he thought he would rather not

Rhodes was the youngest member of the first CUNA executive committee and the first CUNA Mutual board. This was in 1934 and 1935. He worked briefly for the new Federal Credit Union Section and organized twenty-odd credit unions in New England. Then he returned to the Raleigh post office, where he was soon appointed assistant postmaster.

CAROLINA

go into credit union organizing work as a career, because it would mean so much travel, but he was soon talked out of that.

Half his working life with CUNA, he spent as a fieldman. The final half he worked as the credit union movement's legislative specialist in Washington; as such, he succeeded in obtaining a number of amendments to the federal credit union act.

Nevertheless, at the end of his life, it was the organizing that he remembered with most pleasure—no doubt because he could see the results in the lives of simple ordinary people.

In 1935 Rhodes was persuaded to leave his job in the post office and join the staff of CUNA, as fieldman in the southeast. He organized many credit unions, helped set up a number of leagues and enjoyed himself thoroughly. When the CUNA Washington office was opened, during World War II, Rhodes was asked to take charge. He did, and his pleasant modest personality then became a fixture on Capitol Hill.

They can handle RECESSION

A recession may strike almost anywhere, almost anytime. Sometimes it brings long layoffs, sometimes sharp reductions of payroll, sometimes a closed plant.

NO credit union officer who lives in a major industrial area needs to be told that there is widespread unemployment in American cities.

The Department of Labor, in its March bi-monthly report on trends in the labor market, listed 101 of the 150 major industrial areas in the nation as having "substantial" unemployment. The Department uses an ABC rating system under which communities rated C have a moderate labor surplus and those rated D or below have "substantial" labor surpluses.

In March it moved 38 areas to lower ratings, including six from classification E (9 to 11 percent unemployment) to F (12 percent unemployment or more). One city, Flint, Michigan, moved from D (6 to 8.9 percent) to F, skipping one category entirely.

The Department reported that 101 areas listed as having "substantial" unemployment is an all-time high. At the low point of the 1957-58 recession, the figure was 89. In mid-February the number of unemployed nationally was given as 5,705,000, or 8.1 percent of the total labor force. The percentage of unemployment for the recession year of 1958 was 6.8. While this February's figure of 8.1 compared unfavorably with any year as far back as 1941, it should be remembered that it is not a full year's average, and the rate may be considerably changed when all 12 months of 1961 are totaled.

While these figures do not show the whole picture, they do indicate that unemployment is a widespread and serious problem.

Old story in Detroit

What happens to credit unions in depressed industrial areas? How does a period of plant shut-downs, layoffs, and economic insecurity affect the growth, stability, and strength of a credit union immediately involved, and the credit union movement generally? In an effort to get some answers, a Bridge reporter visited credit unions in Detroit and Muskegon Heights, Michigan.

Michigan was chosen because the Detroit area is one of the most hard-hit in the current business slump—it was reclassified in March from E to F—and because seven other cities in the state also are listed by the government as serious unemployment areas

The big Norge plant in Muskegon Heights, Michigan, left, is scheduled to close down and move to a new factory in Arkansas. While the Norge close-down is not a direct reflection of the current recession, Muskegon and many other Michigan cities are in areas of serious business slump and unemployment.
The credit union people below are familiar with the effects recessions have on credit union members. At top left is Ray Everett, treasurer of the Norge credit union, which is facing liquidation. At top right are Robert Thierry, loan counselor, and (seated) Frank Matous, treasurer of the Dodge Truck credit union in Detroit.
Below are Patricia Wies, Walter Wolford, treasurer, and Mrs. Rose Lark, of the Buell Die credit union.

PROBLEMS

(Battle Creek, Flint, Grand Rapids, Kalamazoo, Lansing, Muskegon Heights and Saginaw.)

In Detroit four credit unions whose members have been seriously affected by shutdowns and layoffs were visited. Muskegon Heights was selected because the Norge plant, one of the city's three major industries, plans to close down and move out of the state. The Norge credit union's solution to its problem was liquidation. The four Detroit credit unions, like hundreds of others all over the nation, are tightening their belts and weathering conditions that, while serious, are nothing new in industrial communities.

Credit unions have learned to deal with recessions and all the problems recessions bring, the Bridge survey shows. Problems include drops in loan demand, slow payments, maintaining contact with members who have left town to seek work, and the need for more and better counseling. But few Michigan credit unions are going out of business, and most of those that are are doing so only because of complete plant shutdowns.

It came as a shock to the 1,800 employees of the Norge Division of Borg Warner Corp. when they were

At left, Frank Matous and Robert Thierry check the files in the Dodge Truck and Amplex Federal Credit Union. Above, officials of the Holley Employees Federal Credit Union are, left to right, William B. Brick, president; Robert Laverty, manager; and Homer Hutchison, treasurer.

told February 1 that the plant was going to shut down and be moved to Fort Smith, Arkansas. The plant, one of the three largest industries in Muskegon, manufactures refrigerators, both electric and gas, and freezers.

It's a jolt to be told that the company you work for is closing down, but an added frustration in this case was the fact that there was no announcement of when the shutdown will occur, and no indication of how many employees, if any, will be transferred to the new plant in Arkansas.

Closing expected soon

Ray Everett, treasurer of the Norge credit union, says it is expected that the big factory will close down sometime this summer. Everett also is president of Local 404, Allied Industrial Workers. He says normally his union connection might put him in a position to know such things, but that he has no idea exactly when the plant will shut down, and no idea of how many employees will go along with Norge to the new plant. "The company leads us to believe they'll take some employees along," he says, "but has given no indication of how many."

What does a credit union do under these conditions? Norge credit union has gone into liquidation. It already has paid its members 50 cents on the dollar on their shares. "We have to assume the worst," Everett says. "The board decided the only common-sense thing to do was to assume everybody would be out of work when the company moved out."

As long as last summer rumors of a closing were going around. There was nothing official, Everett says. "Everybody knew about a big new plant in Arkansas—28 acres under one roof—but we were told up to the last minute that the new building was to be a different division entirely, and that there was to be no move.

"It showed sound thinking on the part of the board that on the basis of rumors and the feeling that something was in the wind, it decided it would be wise to start conserving cash. Without being obvious about it, so as not to scare the membership, we started building up our cash reserves."

When the bombshell hit, the credit union was able to tell its members it could pay 50 cents on every dollar, and pay it immediately. With the cooperation of the league, the board decided to notify members that 50 percent of their savings were tied up for 60 days, thereby releasing 50 percent for immediate distribution.

"We asked them not to come down and mob us all at once. We explained that we had a lot of money invested on quarterly dividend, and that some dividend payments wouldn't be coming in for a few days." Did they mob the doors? Was there any panic? Everett says no.

No panic, no run

"There was a steady line at the window, yes. But we asked them not to form long lines, or cause any shoving or commotion at the window. We knew it would be bad psychologically if any 'rush' on the credit union were to develop, or any panic were to start. Well, it didn't happen. Often when the line would get a little long we'd ask some people to come back a little later, and they did. Many times a member would come to the window, see a line waiting, and go back to work for awhile.

"We had one day that was touch and go. Other credit unions in town cooperated very well by supplying us with cash, but on Lincoln's birthday there's no mail service, and so we sweated for a while. But it came out all right. We didn't have to turn anybody down. At no time was there a

Richard Brosey, manager of the Chrysler Highland Park Federal Credit Union, knows what it is to have a large number of members laid off.

Roger Bland, in the Michigan League's Detroit headquarters, is proud of the league's excellent stabilization record.

scene of any kind. The cooperation was wonderful.

"In fact, as of March 30, about 400 of our 1,600 members hadn't come in for their money." Early in April members were sent a letter thanking them for their cooperation and their faith in their credit union, asking all those who had not withdrawn their 50 percent to do so immediately, and informing them that the credit union would go into liquidation in mid-April. At that time, of course, all assets would be frozen. We could not, of course, make payment of the other 50 cents on the dollar at the end of the 60-day period."

In February the credit union also set up a new, tighter loan policy: "Loans to $600 to be secured by collateral, with a one-year maximum. All loans over $400 must be secured A-1 (no furniture, etc.) or with an outside co-signer. All loans other than on cars must be set up on a maximum time limit of 18 months. Loans must never exceed the loan value of the car used as collateral, the only exception to be on a loan for car insurance to protect our interests.

"Add-on loans made during the period of the original loan must be paid off by the expiration date of the original loan, or be secured to full dollar value of the loan total. (Add-ons to be paid by larger payments, not by time extensions.) All loans made for cars must never exceed 'blue book' loan value (or ⅔ of retail price) including loans made previously on seniority, etc., and payments on those loans must keep pace with car depreciation." These restrictive policies reduced loan balances quickly.

Pleased with his board and his members, Everett cites the fact that many members had been laid off for several months in 1960. Normally, he says, when they come back to work after such a layoff, they ask for extensions and smaller payments. "Now we had to ask them for higher payments, not lower ones, because of the looming plant shutdown, so we could build up our cash reserves. And they agreed. By far the biggest majority agreed, understood, and went along with it."

Double shifts hint end soon

The company now is working double shifts, Everett says, to build up an inventory of refrigerators and freezers to carry it over during the period of moving from Muskegon to Arkansas. "We don't know how big that inventory is to be. But we assume when it is reached, that will mean the end of work here." He says the company never has given any reason for the move. "It isn't labor troubles, I know that. As union president I know we haven't had any labor troubles in this plant in 16 years."

Everett and his board believe their credit union approached liquidation in good financial condition. "In fact I don't see how we could be in much better shape," he says. "I'd say it was very unusual for a credit union with assets of a million dollars to pay off 50 cents on the dollar immediately."

Between December 31 and March 30, the credit union dropped from $1 million to a loan balance of $569,658 and a share balance of $569,168. When all shareholders are paid their 50 percent, the credit union would probably go into liquidation with about $480,000 in total loans and $420,000 in outstanding shares. It also has about $83,000 in total reserves, plus several thousand dollars in office fixtures.

How soon after liquidation all shareholders will be paid off is a question no one can answer, he said. "There are too many unknowns here. We don't know how long we'll be able to keep the office operating. We hope to keep going indefinitely, and we'd like to keep the office going until everyone is paid. But we don't know whether we'll have to move out of the office (which is located just inside the plant's main entrance), whether the plant will be sold, how many employees will be transferred and how many will have to get work elsewhere —and how many will have to move out of town to get other work.

"We hope to hold together and see this liquidation through. If we can't, we may have to go to the league for

help. The league has been extremely helpful all through this thing." Everett said he and his board are well aware of the fact that ever since the Michigan league started its stabilization program in 1955, no member credit union ever has been liquidated at less than 100 cents on the dollar.

"We all hope for a business upturn," he said. "That would mean work in this area for employees who are laid off when the plant closes. Right now, with conditions the way they are, I don't know where these people could get work in the Muskegon area. Maybe a business upturn would mean the plant would be reopened by some other industry. But this is all wishful thinking."

One thing that will complicate the liquidation picture, he said, is the fact that in liquidation all money received by the credit union must, under federal law, be placed in checking accounts. He calls this restriction "ridiculous."

"The only place we can put this money is in checking accounts, because the law says it can not earn interest. Now supposing we have $50,000 in cash when we go into liquidation. Does this mean I'll have to find five banks so I can deposit $10,000 in each, in checking accounts? I want this money insured, and of course the limit on Federal Deposit Insurance is $10,000. Why can't we at least put this money in savings accounts, and earn their little 2½ percent?

"No, the law says it must be put into checking accounts. So the banks will make money on the funds owed to members whose credit union is in liquidation and many of whom need that money badly. This ruling may well make the difference between early and late dollar-for-dollar payment to our members. I'm sure if our cash on hand and the funds that come in on loan payments could be invested at normal interest rates, we could pay off these people a lot faster. I don't get it."

They still save

Starting with the permanent layoff of 2,000 of a company's 2,500 employees, one Detroit credit union has found itself in an unusual and frustrating position. Not that the credit union has financial troubles — it hasn't; it's in good financial shape.

But Robert Laverty, manager of the Holley Employees Federal Credit

(Continued on page 18)

FROM THE MANAGING DIRECTOR:

WHY THE COMMON BOND?

CREDIT unions must be organized within groups that have an already existing "common bond". The most usual common bond on the North American continent is that of a common employer. Other common bonds are the "associational" — the parish credit union is an excellent example of this—and the "community".

The common bond is a necessity for all credit unions so that the members of a credit union can have a reasonable expectancy of knowing one another.

Character and the common bond

Credit unions make loans primarily on the basis of the member's character. Character is not something that can be put down on a loan application. For the credit committee members to know of a member's character, they must know something about that individual. Thus the common bond!

A credit union is not "open to all"

Each credit union is limited in its potential membership (for both saving and borrowing) to those people who are in the common bond. A bank can do business with anyone who comes in the door—even though that person might live half the world away. The same is true largely of savings and loan associations. Credit unions are the only financial institutions accepting savings and making loans that have this restriction of the common bond.

It is a real "restriction", but it is also a real advantage, for the credit union well knows its members; and the low loss-ratio of credit unions is due largely to the fact that the credit committee knows the character (because of the common bond) of the borrowing members.

Are you telling your members?

Does your credit union have a regular monthly publication to all members—and all within the field of membership who could and should belong? If not, you're missing the most valuable tool of communicating with your members.

The production of this leaflet can be volunteer production. It can be inexpensive. Every League has suggestions and helps for material that can go into the publication; CUNA Supply puts out a number of helps available through the Leagues or directly.

If you believe that the benefits of the credit union should be extended to all within your common bond, you need to be telling the non-members the story. And, even though your members should know that the credit union is the place to save and the place to borrow, they need to be told and retold the story. Nothing does that job so well as a regular monthly news organ sent directly to the members' homes.

H. Vance Austin

in the NEWS

Two experienced credit union leaders recently named to fill a vacancy and a newly-created position at CUNA are **Sydney A. Forbes,** named assistant director of organization, and **Gilbert Trujillo,** who became CUNA's first specialist working with low-income groups.

Forbes has many years of credit union experience in Canada, and for the past seven years had charge of credit union relations for Co-operators Insurance Association, Toronto. Trujillo is a former New Mexico welfare department accountant and counselor, and because he speaks Spanish fluently, has begun work in developing credit unions among Southwest states' Spanish-speaking people.

Robert W. Davis, pubic relations director of the **Illinois League,** joins CUNA's staff about May 1 as a league legislative specialist in the Legal and Legislative department. Atty. Alexander Brillantes, president and acting managing director of the new **Philippine League,** was chosen one of the Philippines' "men of the year" for his work in improving and strengthening the credit union movement.

The first credit union in **Basutoland,** a British colony in South Africa, was formed recently by A. S. Mohale, who studied credit unions at St. Francis Xavier University and attended the CUNA School for Credit Union Personnel two years ago. Sixty-five credit union managers attend an organization meeting of **Saskatchewan's new Credit Union Managers Association** and set up a committee of 12 managers, one from each league district in the province.

Armondo Fernandez Vanga, managing director of the **Puerto Rico Federation of Credit Unions,** spent a week at Filene House in Madison studying CUNA services and operations. Canada's **Don Smith** was transferred to the Madison headquarters of CUNA Mutual to fill a newly-created position of director of policyowner relations. Arrangements have been completed to have CUNA's newest film, "The People of Kolevu," distributed throughout Canada by the Canadian Film Institute.

March 17 was the 25th anniversary of **CUNA Supply Cooperative,** and as part of the celebration nine longtime employees were honored at an employee dinner. They were J. Orrin Shipe, Melvin Brussow, Hugh Griffin, Alma Berge, John F. Brady, Willard Edlund, Carroll K. Holtz, Harland L. Smith, and Vincent J. Valenza. All nine received service pins.

Negotiations for a two-year contract were completed recently between CUNA and CUNA Supply and employees who are members of the office employees' union. Overwhelming acceptance was voted on managing director H. Vance Austin's offer of a $10 monthly increase this year and a similar raise next Jan. 1. A total of **472 new credit unions** was reported organized world-wide during the first three months of this year, compared with 331 during the first quarter of 1960. United States figures are 223 new credit unions this year through March, compared with 268 last year. Leagues reporting recent moves to new headquarters include the **California League** in Oakland, the **Maryland League** in Baltimore, the **Iowa League** in Des Moines, and the **New Mexico League** in Albuquerque.

In an article in the March issue of **Banking,** under the general heading of On-the-job Services, some larger **credit unions are accused of "waving a big stick"** at banks handling credit union accounts. "Bank-credit union cooperation is being called for by CUNA's president," the article says, and "CUNA's official publication has recently carried an article which emphasized that 'many credit unions are getting along very well with their bankers.'

"Not all credit unions and credit union officials are completely cooperative with banks," the article continues. "Whatever the cause, some credit unions are waving the big stick of large credit union accounts that may be—and in some cases have been—withdrawn from banks that attempt to make on-the-job installations."

Dr. Lawrence Kreider, secretary of the American Bankers Association committee on credit unions, is quoted in the article: "We can all fully realize that it takes courage to pursue a progressive, long-run policy if such action might endanger a $10,000, $20,000, or $200,000 account. However, I firmly believe each of us—particularly those of us who expect to live with the competitive situation 20 years from now—should carefully consider he fact that bank income gained from credit union deposits is small compared to income forfeited because of saving and consumer loan business lost to credit unions. If commercial banks had obtained 40 percent of the saving and installment business lost to credit unions during the past ten years, the annual net profits gained therefrom in 1960 would be ten times greater than net profits gained from credit union deposits in banks!"

"When considering the modest purposes of credit unions, look at these facts as pointed out by Dr. Kneider," the article continues: **'Credit union spokesman expect to reach the $20 billion level before the 1960s** are over. Credit union membership exceeds 12 million persons.

(Continued on page 32)

Mrs. Donald Leavy acted as official cake-cutter as the GMTC Employees Federal Credit Union celebrated its 25th birthday. With her are Donald J. Wilson, credit union president (center) and Harry J. Woodman, treasurer-general manager.

Leo L. Leverenz, left, named in 1936 as first president of the U.S. Steel South Works Credit Union, Chicago, recently was elected to serve as president during the organization's 25th year. At right is Harry C. Cramer, treasurer for 15 years.

Governor Matthew E. Welsh of Indiana recently signed a new credit union bill as credit union officials and state government leaders looked on. Left to right behind the governor are Clarence Clarkowski, Indiana League managing director; Rep. Howard W. Snyder; Sen. William C. Christy; Sen. John C. Ruckelshaus; Rep. Earl Buchanan; and Keith L. Andrews, Indiana League counsel.

To get a good turnout at its annual meeting—750 attended—the Newport News Shipping and Dry Dock Company Employees Credit Union avertised the meeting well. At top, members see a poster placed at a plant exit. Below, a view of the speakers' platform and part of the crowd. The company paper and the credit union's own quarterly also were used to advertise the meeting.

Bridge PICTURE PAGE

The office of the Wiltruco Employees Federal Credit Union, Nashville, is a trailer, and here are outside and inside views of the office serving 885 members of this credit union that was organized in October, 1953 and now has assets of $381,000.

RECESSION

These Michigan credit unions are now well seasoned in dealing with recession problems

(*Continued from page* 14)

Union, is concerned about lack of growth, some problems of basic philosophy, and whether his credit union can continue to exist as an institution for making provident loans as well as a place to save.

Holley credit union went through a period of growth in the years 1954-57; in mid-1957 it decided to erect its own building. During the same year it noted a falling-off of loans, but took little notice of it. It moved into its new building in 1958, and during that year loans decreased 12 percent while shares and assets went up 10 percent.

Then, 12 days before the 1959 annual meeting, Holley Carburetor company announced that during the following two years it would close its aircraft division and move out of the city. Some 2,000 employees would be permanently laid off; few would be transferred.

At this point, Laverty says, the credit union had assets of $1,300,000 and was very liquid, with $300,000 in cash and quickly convertible assets. It was decided after consultation with the league that new contingency reserves would be set up, though liquidity and reserves already were high. The credit union lowered dividends somewhat to build contingency reserves, and at the end of 1959 liquid assets had risen to $500,000, and reserves to 13 percent.

Paid off steadily

"Our members, on their own," Laverty says, "decided that even in the face of losing their jobs, they were going to pay off their loans." Then, in October, 1959, the company announced the 2,000 layoffs would be completed in a one-year span, not the original two-year period.

The credit union curtailed no services. Business as usual prevailed, backed by liquidity and reserves. The only action taken by the board was strengthening collection policies and holding down expenses.

Before the layoff the credit union had 2,100 members. Today it has about 1,000, of whom only about 800 may borrow beyond the value of their shares. Those who lost their jobs are now outside the legal field, and according to standard federal by-laws they may save but may not receive loans in excess of their shares.

"We took a realistic view," Laverty says, "and considered that when a member was laid off he was permanently laid off. It was all we could do, because from what the company told us we knew nobody was going to be called back to work."

About 20 percent of those who lost their jobs have moved out of state. The 2,000 employees who were permanently laid off were largely production and manufacturing workers. The 800 who remain are administrative, salaried people. Laverty says these 800 never were heavy borrowers, and aren't now. It was the industrial employees who provided the loan demand in this credit union.

"It would be expected," Laverty says, "that when people lose their jobs and especially when they are forced to move and relocate, they would withdraw their savings. It didn't happen. On their own, without any action on our part, they retained their savings and there has been an orderly payment of loans according to ability."

X equals uncertainty

The situation now, he says, is far from stable because no one knows how long the employees still working will be on the job. There have been some spotty layoffs since the big layoff, and employees don't know how many more may be affected. "If the plant had completely shut down," Laverty says, "the answer might have been comparatively simple—liquidation, for example. But as it is, we have a big 'X' factor."

It is expected that the plant will always be here, and that it will serve as an administrative center for Holley plants scattered across the country. But no one knows, especially in this period of recession, how many more layoffs can be expected.

Holley Credit Union officers therefore find themselves in a peculiar position. Through the cautiousness of the members, their faith in the credit union, and the prudence of the board in setting up protections against what the foggy future may bring, the credit union is in excellent financial shape.

But, says Laverty, with loans down and savings up, how long will this credit union exist as a credit union? As a savings institution it's doing fine. "But is our loan demand sufficient over the long haul to keep us in business?" he asks. "We have to make loans if we want to continue providing services and benefits. When 33 percent of our members can't borrow and 66 percent aren't borrowers, how long do we continue in business?"

Melted away fast

A glance at comparative figures for the past few years will give the picture of what has happened to this credit union's demand for loans. In 1957, total loans amounted to $1,145,176, an increase of 22.2 percent over the previous year. In 1958 the figure had dropped to $999,828, a 12.7 percent decline; in 1959 it was $666,495, a 33.2 percent drop; and in 1960 total loans were $562,556, a drop of 15.7 percent.

Comparative figures on shares are: 1957—$1,134,470, up 5.5 percent over 1956; 1958—$1,230,973, an increase of 8.5 percent; 1959—$1,053,864, a decrease of 14.3 percent; and 1960—$902,298, a decrease of 14.4 percent.

The credit union's delinquency dropped 52 percent in 1959-60, while contingency reserves went up 100 percent. In 1960, reserves and undivided earnings were 18.5 percent of loans and 11.5 percent of shares. By comparison, in 1957 reserves and undivided earnings were 5 percent of loans and 5.1 percent of shares. "We're getting stronger as a financial institution, but how are we doing as a credit union?" Laverty asks.

"Under these conditions a credit union can't grow; it has to go the other way. The people who are left continue to save, but either can't or don't borrow. How long can we keep up with our expenses?" Laverty says he feels basic credit union philosophy is challenged under these conditions, besides financial considerations.

The credit union paid a dividend of 3.8 percent and a 10 percent refund in 1960, he says. Its investments bring in an average income of

$4\frac{1}{2}$ percent. The difference between $450 earned and $380 paid out, on $10,000, is $70. "We make $70 on each $10,000 invested, but it costs $78 per $10,000 for life savings insurance on accounts. So we lose $8, plus administration costs. Now if I could lend this $10,000 to members at 12 percent, we would be in good shape, but as I say, some of our members can't borrow, and most of them don't borrow very much.

"Why don't we lend this money to other credit unions that need it? We do. But the law says we may lend only 25 percent of share capital, and we're at that limit now. We have been for more than a year, and we have to turn these credit unions down.

"I can't help any more Michigan credit unions—and at the same time I'm hurting California credit unions. How? I must have a higher interest rate for investments than 3.8 percent, our dividend rate. To get $4\frac{1}{2}$ percent I must invest in California savings and loan associations. When I do this I am providing a source of investment money these savings and loan people lend to Californians at high rates. Some of these Californians are credit union people. Is this good credit union philosophy?

"Right now we are encouraging our members to borrow. Is this our function, to go to them and ask them to borrow money? Philosophically, are we right to ask them to borrow during a time of uncertainty? Remember, many of them don't know how long they'll be keeping their jobs. But we're doing it. Of course, at the same time, we encourage them to save. We don't need their savings at this time, but we must encourage their saving—this is in the by-laws."

Asked for community charter

What solutions for its problems has Holley Credit Union considered? It consulted with the Bureau of Federal Credit Unions about the possibility of changing to a community credit union. The bureau said no, because the community (Warren, a Detroit suburb) is too large.

To cut expenses, the credit union has reduced its staff from six to two persons, and has made whatever other economy cuts it could without reducing services. It may, Laverty said, consider moving back into the plant and selling its new building as an economy move.

It has considered requesting a change from federal to state charter, to allow it to make real estate loans, but decided that conditions at the plant are too unpredictable, and that liquidity is more advisable under the circumstances than having money out on a long-term basis.

No work anywhere

Unemployment was bad in 1948, 1954, and 1958, but it's worse right now, officers of the Dodge Truck Forge and Amplex Federal Credit Union said early in April. How about the condition of the credit union? "We are in good shape," says Frank Matous, treasurer, "but I won't say everything is rosy."

The credit union serves four Dodge manufacturing plants and one division, general sales. Employment in two of the plants is good, Matous says, but unemployment is very serious in two others. Before World War II, the units served by this credit union employed about 1,600 persons. About 1,600 are employed right now, but as many as 3,000 have been employed during peak periods. "Many employees of the truck plant with 1945 seniority are out of work right now," he says. About a third of the credit union's 5,800 members were out of work in March—a ratio three times as high as in the general Detroit area.

What makes this slump more serious than other recent recessions is the fact that during the other layoffs workers were able to find work somewhere else, he said. Now they can't—they aren't hiring anywhere. Matous was one of several credit union people who told a Bridge reporter that since layoffs and unemployment are "old stuff" in the Detroit area, credit unions are familiar with the situation and are much better able to cope with it than credit unions might be in areas where layoffs are rare.

Matous, as well as other Detroit area credit union officials, feels that it is under the stress of hard times that the credit union shows its real strength and value to its members. Perhaps this point was made best by Robert Thierry, Matous' loan counselor. Thierry has been in credit union work only about a year. For twelve or fourteen years before that he worked for finance companies.

"There is just no comparison between the attitude and cooperation of credit union members and finance company customers during rough times," Thierry says. "Credit union members feel they're a part of something. They understand and appreciate the savings and insurance benefits of their organization. They know they're treated as individuals, and that each loan is different from all other loans. Every borrower's problem is different from every other borrower's.

"When I was working for finance companies and I called up a delinquent borrower, I knew he wasn't going to be home. Whoever answered the phone didn't know where the borrower was, or when he'd be back. Now when I call and say I'm calling for the credit union, the borrower is home. And he's glad to talk with me.

"The credit union member's incentive to pay is amazing. I see people coming in and making payments out of their unemployment compensation checks. I see the money this credit union spends on counseling, to help people solve their delinquency problems. I see this organization hold repossessions down to a minimum. Repossession is a finance company's first move; it's the credit union's last.

"I used to work nights and overtime browbeating people, calling them names. I don't do that anymore. You couldn't get me back in the finance business. I'll stay in the credit union business now if I have to go out and start my own credit union."

Bankrupts sometimes come back

Matous says often members pay up accounts that have been written off for years. "They even have paid up after they have declared bankruptcy," he says. "Just last week three members came in whose accounts were written off so long ago these people were practically charter members. They paid up and have reopened accounts."

"Yes, and you'd better believe it wouldn't happen in a finance company," Thierry says.

In a time of recession, delinquencies are bound to increase, Matous says, but "it's wonderful how they come in and meet their obligations in whole or in part. It's times like these when people show they have character." Actually, he says, it's surprising but this credit union's delinquency rate is going down, not up. "People on layoff aren't buying cars and refrigerators. People on layoff are prudent, we find. People who are working

are likely to withdraw savings, too, for buying things. But when they're out of work they withdraw their savings carefully, in minimum amounts, to cover essentials." The credit union's bad debt rate, he says, is less than 1/10 of 1 percent.

This credit union recently received payroll deductions, and Matous says he is glad to have it. On the other hand, he says, he is glad his credit union operated without it for so long because members are used to coming in and doing over-the-counter business. He feels they are in the habit of coming into their credit union office, and that habit has served the credit union well during business slumps.

Matous says he is not seriously worried about delinquency during periods of unemployment because his members have shown in the past that they will make payments according to their ability. "Delinquency is always with us. There is a very small percentage of members of any credit union that is always going to be delinquent, good times or bad. Layoffs are bound to increase the volume of delinquency, but it is our experience that they don't increase the seriousness of delinquency.

"We all hope for better times and an end to this recession. But we feel the credit union, because its members believe in it, will weather this slump as it has others before this one."

Automation is permanent

Richard Brosey, manager of the Chrysler Highland Park (CHP) Employees Federal Credit Union, figures the plants and general offices from which his membership is made up have potential total employment of 5,000 to 6,000.

Early in April, however, only about 2,500 were working, he said, of whom 1,500 were salaried office people and 1,000 were manufacturing employees working three weeks out of the month. His credit union includes parts manufacturing plant and main general office employees. Under full production the plants and offices have employed as many as 10,000, but he feels that even after the present recession ends, that figure will never again be reached because of newly-added automation in factories and changes in office procedures.

Current slump conditions are not new, he says, but go back as far as 1956, and layoffs have come and gone since that time. However, things are worse now than in a long time, and the present recession period dates back to January of this year. Brosey's credit union has been seriously affected, but certain factors have kept it healthy.

The credit union has a membership of about 1,800, and Brosey estimated in April that 40 percent were working. "Anybody working now in manufacturing has to have better than 20 years' seniority. It is one of the salvations of this credit union that so many of its members are longtime employees, people who are conscious of approaching retirement age and reaching the 55-year insurance age.

"The fact that they have a lot of seniority means they're working, and the fact that they're older men means they're saving, cautious, and conservative about their financial affairs. If the majority of our members had been younger men, they'd be out of work now, and we might be out of business."

Most layoffs in factory

Though both office workers and factory workers have been laid off, the percentage of office workers is something like 25 percent, Brosey believes, while for factory workers it's about 60 percent. Hence during this slump period the administrative workers have been important in keeping the credit union going. "If this credit union hadn't included these office workers in its field of membership when it was started," he said, "it would be in much worse shape than it is now. The delinquency rate would have been much higher, and while I don't think we'd have been closed up, we wouldn't be in our present sound condition."

Another reason why Brosey's credit union has weathered layoffs before and will weather this one, is "contact." He says industrial credit unions always will be concerned with layoffs, recession periods or not. Contact means keeping in touch with members who are laid off, knowing where they are, so that you know even when they are on the delinquency list that the intent to repay is there. If contact is maintained, partial payments will be made.

"Even if they only keep up interest payments, we know where they are and that they're well aware of their responsibility to their credit union. We have found that even among those who are laid off and leave the Detroit area—go back home until things look better here—95 or 98 percent are honest and intend to pay up. Sure, it means slow collections, but we believe we'll collect all of it. We believe in keeping in touch with them, and giving them a fair chance to repay their loans. We don't jump on a man until he has indicated to us that he simply doesn't intend to pay. And this happens very seldom."

Small share accounts

What happens when a recession hits a credit union with many industrial workers in its membership? "We get a run on small share accounts," Brosey said, "the $10 and $15 ones. The larger share accounts stay, except that some members make regular withdrawals to cover living expenses. Many hang onto their shares to the last ditch.

"Loan demands go down, not because the credit committee turns people down, but because people stop buying things. In our case, savings go up. We protect ourselves by putting more money in reserves than is required. It's a rough time for the credit union, because in this industry workers are transferred from one Chrysler plant to another, on a seniority basis, wherever there is work. It's a lot of work for us, handling all these accounts.

"Delinquency goes up, of course. A surprising number of members continue to make full payments on loans, but many are forced to get behind. Delinquency increases twice over, maybe three times. Ours is up from 2 percent normal to 13 percent, dollarwise. But bad debts do not go up sharply, and we feel confident that practically all our delinquent loans will be made good."

How about bankruptcies? "We've had only two in this slump. Our bankruptcy rate is very low. I think it's due to the fact that we maintain contact with these people and help them along all we can."

One of the services Brosey considers essential in his kind of credit union is counseling. "These people normally work a lot of overtime," he says. "And they tend to live on that overtime. We think it's part of our job to educate them to live on their 40-hour pay, and consider the overtime as a cushion against the slumps

that always come in this business. When tough times come, we talk to them about their money problems, counsel them about making payments to us and to other debtors. Sometimes we'll suggest trading down in cars; a man out of work doesn't need a 1960 car but could get along with an older model and save money."

What about the chances of this credit union growing under such conditions of stress? "We're growing right now," Brosey says, "and we'll continue to grow. I look for better business conditions soon; I hope by fall. We'll weather this one as we have weathered them before. We started payroll deductions February 10, and we think this will help us provide more and better service to our members."

Die workers are luckier

The CHP Credit Union was organized in 1947 through UAW-CIO, and was located originally in the union office. However, founders foresaw the need for wider membership, and the charter included anyone working in the plant and offices in the potential membership. For a while, Brosey said, the credit union had the problem of office workers feeling the organization was for union people only, because of its location. So the credit union moved out of the union office and into its own quarters ten years ago.

Hard hit as any Detroit industry in one way, but less affected in another, is the tool and die industry, according to Walter G. Wolford, president of the Buell Die Employees Credit Union. The Buell Die company normally employs about 300, and in April only about 150 were working, Wolford says.

But these workers are luckier than most because of the nature of the industry. Employees of one company who are laid off may work for other companies that need them without losing seniority, so that the majority of his firm's employees were working through the slump period. Some of them had to go out of town or out of state to get work. Some were working as far away as California, Georgia and Alabama, Wolford says. But this is a lot different from not working at all.

"Most of the people who are laid off here are working at other die companies," Wolford says. "Those who are hardest hit are the younger men and the older ones. They pick the cream of the crop in this industry. If you're too young you don't have experience enough to make a good die maker. If you're too old—well, you've slowed down too much. Generally, though, we're better off than a lot of industries. A slump like this means looking for work elsewhere, moving around, disrupting households, and all the rest, but we can find work."

The present slump is a bad one, he says. In his 21 years working for the company, there have been only two shutdowns; a three-month shutdown in 1957, and a four-month one in 1960. But now about half the employees are working somewhere else, or not working at all.

Since the plant supplies dies to auto manufacturers, the auto industry has a direct effect on the prosperity of diemakers, through its decisions on new models.

For instance, he said, 1956 was a big year because auto manufacturers made major changes in car design. But since 1957 manufacturers have confined themselves to "face-lifting" changes. However this affects the public and the sale of new cars, it has a depressing effect on the die industry. Big style changes mean plenty of work. Face-lifting means less work. Face-lifting is reflected in the 1957 and 1960 shutdowns, Wolford says, but the present slump reflects more than that—an area-wide and nationwide recession.

Money goes both ways

"Normally in the die industry we can fill in during slow periods with tractor dies and other non-automotive dies, or dies for advance car models." The recession has cut down on this fill-in work. "Under normal conditions, right now we'd be going full blast, hiring outside help. With half our men laid off, you can see we're doing badly."

Though the recession has affected the Buell credit union, most of the laid-off men are working somewhere else, and delinquencies are not a major problem. Most members will make loan payments even on layoff, at least partial payments. Last summer, as a result of a three-month plant closedown, members with loans asked for additional loans to tide them over, and others withdrew shares. "For there months money was going out of here both ways," says Wolford.

Members of the Buell credit union are unusual in that they are both employees and owners of the company they work for. In 1958 the owner of 46 percent of outstanding stock in the business announced he wanted to sell his interests to employees at $3 a share, in blocks of 1,000 shares. "If we had been big enough at the time we would have bought it all," Wolford said, "but our members did buy about $500,000 worth—about half of it." The credit union, through the league, borrowed money from other credit unions so the purchase could be made.

League rescues many

The Michigan Credit Union League is proud of the fact that since the inauguration of its stabilization program in 1955, no member credit union has been liquidated at less than 100 cents on the dollar, and it intends to fight to maintain that record.

Roger Bland, administrative league representative, said last month that so far in 1961, six member credit unions have been liquidated, mostly as a result of plant closings in 1960 or this year. "We are working with a couple of others right now," he said, "trying to avoid liquidation through cooperation of other credit unions in their field of membership."

During 1960 about 15 member credit unions were liquidated. Not all of these were due to plant closings, Bland said, but economic conditions were behind all of them. "Sometimes, when conditions are so bad that members don't know when they'll be working again or where their next meal is coming from, credit union enthusiasm and leadership can become a real problem."

The Michigan league is going to make every effort to continue seeing that no credit union member loses a cent through liquidation, he said. "It may be a real strain, but we feel there is every indication that Michigan credit union people will appropriate more money for stabilization if it becomes necessary."

Bland said it is surprising that even though Detroit and the entire area is economically depressed, and despite closings, layoffs, and credit union liquidations, overall income among league member credit unions did not decrease in 1960, but increased by 20 percent.

"We believe the answer is that members have faith in their credit union, and this reflects the fact that credit unions have gained experience by weathering previous slump periods.

Left: This stacking device for making padded forms was inherited by CUNA Supply from its predecessor, the League Central Committee. Gerald Gilbertson, who uses the device here, is a general shop helper.

Below: A large and small folder speed the work of the cooperative's machine bindery department. Their capacity is 25 x 35 inches and 18 x 24 inches, respectively. Mrs. Kaye Kwiecinski gathers sample kits of promotional materials for inquiring credit unions.

CUNA SUPPLY

(*Continued from page* 4)
also called Raiffeisen House, provided little relief for CUNA Supply's congestion. The cooperative gained 1,000 square feet of operating space which soon was cramped, and in 1947 enlarged its quarters in the same building to 3,800 square feet. "This was still far from adequate," reports a former board member. "As the movement grew, CUNA Supply's space problems increased proportionately."

Since 1950, CUNA Supply's shops and offices have been located in Madison's Filene House, where the cooperative's original space assignment was 6,236 square feet. This had seemed adequate at the time the building was designed, but so much time elapsed between planning and completing Filene House, that CUNA Supply was soon again short of space. Renting storage space provided a temporary solution, but this proved expensive. Moving toward a permanent solution, CUNA built two additions for its supply affiliate—a bindery and shipping area with loading dock in 1953, and a Butler building in 1958. These additions increased CUNA Supply's total space to 9,481 and 13,981 square feet, respectively.

"But our space problem was not really solved until late in 1960 when we moved into the first floor area vacated by CUNA Mutual," says manager Brussow. "We now occupy some 20,350 square feet. Having the entire lower floor of Filene House should serve our needs for some time to come. We now have arranged our shop and offices so that they are modern and up-to-date. They were laid out with the assistance of a planning engineer who is thoroughly familiar with the needs of printing establishments."

• **Price schedule.** CUNA Supply's board, management and staff are under a constant responsibility to produce and distributive credit union needs at the lowest price possible. "Our objective is to help credit unions save money by buying from us," explains a member of the cooperative's management team. "To accomplish this, we have to analyze our costs and develop a competitive price schedule."

Much of the important work toward CUNA Supply's current price formula was done by its special study committee. After extensive research, starting in 1955, the committee found that the cost of handling a small order is disproportionately greater than that for filling a large order. It therefore developed a pricing formula under which the per unit cost goes down as the quantity of the order is increased. The effect of this schedule is twofold: it makes quantity buying extremely attractive and it benefits both large and small credit unions by reducing the basic cost per unit.

Comments Mel Brussow: "In 1958 we lowered our prices for all bookkeeping and educational forms drastically to be more competitive. But we soon found out that we had lowered them too much when we lost some

$17,750 for the year's business. After this experience, we raised our prices by some 10 percent. We have been in the black since then and are maintaining our prices at the 1959 level."

• **Tax status.** CUNA Supply's income was not taxed during its first twenty-two years of operation. But since 1958, the cooperative is subject to federal income tax on any surplus not distributed as a patronage refund.

Equipment

Twenty-five years ago CUNA Supply started out with a single letter press and a manually operated cutter. Today the cooperative has invested some $180,000 in up-to-date capital equipment. This includes ten presses with an hourly capacity of 52,900 impressions, or 1,060,000 sheets of 8½" x 11" size.

Supply depots

Twenty-four member Leagues have their own supply departments. They are: Alabama, California, Connecticut, Hawaii, Idaho, Illinois, Indiana, Kansas, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, South Dakota, Tennessee, Texas, Washington and Wisconsin.

CUNA Supply's member Leagues receive a League discount under the cooperative's new pricing schedule. The discount rate is 5 percent for orders under $350; 10 percent for larger orders.

"We find our League supply depot practical, convenient and economical," says a veteran League managing director. "It has two big advantages: (1) we are able to maintain closer contact with our credit unions and (2) our credit unions have a substantially lower postage bill because they pay shipping charges only from League headquarters to their offices."

Adds managing director Kahookele of the Hawaii League: "In spite of the considerable distance between Wisconsin and Hawaii—and the correspondingly high shipping charges—we find it economical to order our supplies from Madison. CUNA Supply's rates are sufficiently low to enable us to absorb the shipping costs with our 5 to 10 percent League discount."

Best sellers

CUNA Supply's promotional pieces are rapidly becoming "best sellers." Five years ago, the average edition of CUNA Supply's educational items was in the neighborhood of 50,000 copies. Today the average initial printing is between 200,000 and 400,000 pieces.

"There are at least four reasons for the increased use of our educational literature," says H. Vance Austin, CUNA Supply's managing director. "The first is that we have learned to create briefer and more attractive pieces. Secondly, our quantity cost formula encourages wider distribution. The third reason is that more and more credit unions are recognizing the advantages of systematic member education. Finally, we have contacted the Leagues to find out their needs and preferences. And with the aid of this information we have set up a continuous program to create a new seasonal piece each month which is both attractive and helpful to the membership."

Employees

CUNA Supply's fifty-one employees in Madison and Hamilton share these benefits: participation in the CUNA Retirement Savings Fund, the CUNA Variable Pension Plan, hospitalization insurance, workmen's compensation and unemployment and group life insurance. Nineteen staff members have been with CUNA Supply for five years or more.

Perhaps one of the best illustrations of the employees' interest in CUNA Supply and in the credit union movement, is an event which occurred in Raiffeisen House during the late 1930's. A fire had started. The staff of the three CUNA organizations had safely left the building. But CUNA Supply's printing foreman suddenly rushed back into the smoke-filled Raiffeisen House. A few moments later he returned, face blackened and eyes streaming. He had rescued what he considered the most valuable item in the building—CUNA's framed constitution.

World extension

During May, 1958, CUNA Supply's board created a special fund of $1,000 to enable overseas credit unions, upon recommendation of CUNA's world extension department, to purchase CUNA Supply materials on credit.

"CUNA Supply's World Extension Revolving Fund," says Matt A. Pottiger, former CUNA Supply president (1953-1955), "is the result of our Board's recognition that some overseas credit unions have special problems in paying for their supplies."

The operational details of the revolving fund are simple: CUNA's world extension department orders the supplies and suggests to the recipient credit union that it should repay the amount of the credit when its financial position becomes sufficiently strong.

"This revolving credit arrangement has been a great help to CUNA's world extension department," reports Olaf H. Spetland, the department's director. "Some twenty overseas groups in Asia, Latin America, Africa, Europe and Oceania have already bene-

Bert F. Beales was first manager of CUNA Supply, resigned in 1959.

Winfield S. Buchanan served as manager in 1959 and 1960.

fited from this generous act of the CUNA Supply board."

Directors active

Throughout its twenty-five-year history, CUNA Supply's directors have been consistently active in the leadership of the credit union movement. Many CUNA Supply board members have held leading positions in the Credit Union National Association and its insurance affiliate, CUNA Mutual Insurance Society. Comments William O. Knight, Jr., who has served as president of both CUNA Supply (1950-1953) and CUNA (1957-1959): "CUNA Supply has been fortunate over the years in the caliber of the individuals who have served on its board of directors. All of them were men with a deep sense of responsibility to serve their fellowmen. Throughout their service, they have given unstintingly of their time and energy."

Indicative of the CUNA Supply directors' absorption in their work is this experience reported by Matt Pottiger: "After a February meeting in Madison, we continued our talks in the railroad station. Our luggage was already in the baggage car. But we missed our train because we were so engrossed in our discussion of CUNA Supply's problems. To save the day, CUNA Supply's manager drove us to Milwaukee to catch another train for our connections in Chicago."

Future plans

What are CUNA Supply's plans for the future? "We will continue our efforts to provide credit unions and Leagues with the services they want at the lowest possible cost," says president Nixon. "We always welcome suggestions. But occasionally credit unions are reluctant to contact us with their problems. To improve our communications, we have just appointed a sales promotion director. His job will be to visit Leagues, chapters and credit unions to discuss their needs and ideas."

LEAGUE SERVICES

Code of ethics and centralized IBM Service among recent innovations

(Continued from page 7)

Michigan

Recent major developments at the Michigan Credit Union League include a code of ethics and a data processing service.

• **Code of ethics.** At the Michigan League's annual meeting in 1958, several delegates expressed their concern about the need for a uniform standard of ethical operation in credit unions. Further discussion on the floor immediately showed that an essential prerequisite to uniform ethical practices is a clear definition and enumeration of unethical practices.

To find out what practices are unethical, the Michigan League conducted extensive discussions involving all levels of the state's credit union movement. The League began asking all member credit unions to list the practices which they considered unethical. These completed questionnaires then became the subject on a one-year intensive study by special chapter meetings, special League board meetings and discussion groups of the delegates at the 1959 League convention. Through these concerted efforts, the 350 separate items, submitted by the credit unions and chapters, were boiled down to 90 vitally important ethical questions.

Following a report of the League's resolutions committee, the membership adopted the proposed code unanimously at its 1959 annual meeting.

The next step was to determine how the code should be used. To encourage a grassroots level review and discussion of the code, the League sent printed copies to all member credit unions. It also sent questionnaires to its chapters, requesting their comments and suggestions for setting up an implementation structure. And during the following annual meeting (1960), the code's implementation was discussed both in the policy groups and on the floor of the membership meeting. Adoption of the proposed implementation structure was almost unanimous.

Two committee levels resulted from this action of the League membership. There is a state committee of nine, elected by the League board, which consists of five credit union people and four public representatives. In addition, each chapter has its own committee, elected by the chapter and including four credit union persons and three public members.

The state committee has developed the policies and procedures under which the state and chapter committees operate. At the credit union level, all complaints are channeled through the supervisory committee.

• **Data processing.** "Our movement has been pretty much at the mercy of bookkeepers," says Jack Dublin, director of member services of the Michigan Credit Union League. "This has had a stultifying effect on our growth. Data processing will free our leaders from routine duties and give them the time to be real leaders, planners and managers."

Michigan's data processing service is still in its infancy but already has the approval of federal supervisory authorities. State chartered credit unions are also permitted to use it. Explains a League department head: "We established our data processing procedure with the cooperation of federal supervisory officials. With their help we have now begun a service which will save our member credit unions substantial costs in examination fees over the years."

At present, Michigan's data processing is used only by large credit unions. They deliver their vouchers daily to the processing center. In turn, they receive each day a card for each member who has had a transaction. This card is retained only until the next transaction for the account has been recorded. At the end of every quarter, each member receives a quarterly statement which is prepared entirely by the IBM equipment. A duplicate of this statement —on heavy card stock—goes to the credit union as its permanent record of all transactions for the member.

"But we fully believe that this service is also practical and economical for small credit unions," a League staff member points out. "Whenever a credit union is unable to do its bookkeeping on a part-time basis—even if its assets are less than $100,000—it can benefit from data processing because this service leaves the part-time treasurer free for counsel-

ing and also provides information previously unavailable to small credit unions."

Comments Jack Dublin: "Our real problem with data processing at this time is to determine the best use for the mass of data which our IBM equipment makes available."

Mississippi

The Mississippi Credit Union League last year conducted a successful legislative campaign based on careful planning.

These are the principal aspects of the program:

Legislative committee. This four-man committee was appointed in December, 1959, by the League president. It consisted of three League directors and the managing director. One of the committeemen was a lawyer.

State banking department approval. Before seeking legislative action, the committee showed the proposed law to a top banking department official, requesting the department's support for the legislation. The banking department representative assured the committee that the department saw nothing objectionable in the proposed changes and considered them necessary and desirable.

"One of the principal reasons for obtaining such prompt approval of our bills," says James C. Simmons, managing director of the Mississippi Credit Union League, "is the very favorable relationship between the League and the banking department which we have built up over a number of years. We are in constant contact with each other; our weekly exchange of information, experiences and ideas has led to a high degree of mutual confidence."

Obtaining statewide support. At the League's annual meeting, the League president and the chairman of the legislative committee explained the purpose of the proposed legislation. They asked for the support of both state and federal chartered credit unions and urged the delegates to contact their state legislators in their home communities. Both the president and chairman emphasized that these contacts should be made either in person or by telephone and suggested that written contact should be reserved for those rare instances in which it is impossible to obtain a personal interview.

Legislative hearings. At the legislative hearings, the League's representatives stressed that the requested bills: (1) would bring the state law up to the standard of the federal legislation; (2) had the approval of the state banking department; (3) would not affect any state agencies; (4) were non-controversial; and (5) that the state would probably gain revenue from them.

Arousing credit unions for state-wide action. While the bills were heard before the respective committees, the League mailed three requests to all Mississippi credit unions. It spaced these mailings at two-week intervals. Each mailing asked member credit unions to contact their state representatives and senators, urging them to support the pending legislation.

Missouri

The Missouri Credit Union League has a **legislation-public relations committee** which works through chapter legislative committees with the grassroots of the state's credit union movement.

Each chapter has two committees. One is the chapter legislative commitee, with from three to five members. The other is the chapter contact committee, recruited as a result of individual chapter surveys.

All chapter contact committeemen are volunteers who know legislators or have access to them.

"We sent out surveys to all credit unions to report to their chapter committees the names of people who knew someone with legislative contacts in their home towns, in their employment or through other sources," says Robert Hood, managing director of the Missouri Credit Union League. "Thanks to the splendid response of our Missouri credit unionists, we now have a list of some 180 contact people with whom we work through chapter channels. If our legislative efforts succeed, it will be through the effective work done on the chapter level —not through one man here at the League office."

The Missouri League uses its legislative contact personnel also for statewide public relations work. To facilitate keeping in touch with them, the League maintains a mailing list of all contact committeemen.

Nebraska

Last August, the Nebraska Credit Union League set up a **management services program.** Its purpose is to meet the special needs of medium-size and large credit unions.

"We were not meeting the growth problems of larger credit unions in our previous program," says managing director Wayne Bornemeier. "And we felt that a man who specializes in this field would be of tremendous help."

Nebraska sends its director of management services to individual credit unions at the invitation of the board or treasurer. His first task is to make a preliminary survey of the group's procedures while they are in actual operation.

Following this survey, the management services specialist prepares a written report for the board of directors, in which he lists his observations and preliminary recommendations.

Says Bornemeier, "The board may wait a long time—possibly as much as a year—to determine its reactions to these preliminary ideas and suggestions. If it so requests, our management services director stands ready to follow up his initial suggestions with a detailed study and recommendations — ranging from office layout, personnel policies, and operational procedures to consultations concerning building plans and problems."

Since the League introduced its management services program some eight months ago, twelve member credit unions have used it. At the present time, this is a free League service. However, the League reserves the right to make a charge if a credit union's problems require an exceptionally large amount of staff time.

Oklahoma

New services at the Oklahoma Credit Union League include operational surveys, a credit union manual and a new approach to informational mailings.

• **Operational surveys.** The Oklahoma League staff conducts operational surveys for credit unions on invitation. These surveys seek to analyze and determine (a) the degree of services rendered to the membership; (b) the effectiveness of the board as a unit of management; (c) the liaison and relationship between the credit committee and the board; (d) the credit committee's faithfulness in carrying out board policy;

(e) management's faithfulness in carrying out board policy; and (f) the soundness of the board's policy.

Copies of the League-prepared report go to the credit union's president in sufficient quantity to permit distribution to the entire board.

After the board has thoroughly reviewed the survey findings and recommendations, it holds a frank discussion with the League's managing director or another League staff member.

• Credit union manual. The Oklahoma League furnishes each of its affiliated credit unions with an attractively designed loose-leaf credit union manual. The manual is divided into ten topical sections which are brought up-to-date from time to time with additional materials.

These are the ten informational subjects covered in the manual: membership; operational procedures; financial affairs; legislative; education and promotion; bonding and insurance; taxes and fees; officers, directors and committeemen; League-CUNA; and miscellaneous.

• Informational mailings. The League maintains a complete and up-to-date file of metal Addressograph plates with the names and home addresses of all Oklahoma credit union directors and committeemen. Most League mailings go to all directors and committeemen. But a few operational releases are sent to treasurers only.

"Our experience shows," says Ralph Bendel, managing director of the Oklahoma Credit Union League, "that most credit unions, which receive only a single copy of a news release, do not circulate it to all officers and committeemen. And even if we mail sufficient copies for general distribution to the treasurer, it is exceptional that all directors and committeemen receive their copies."

Continues Bendel, "By sending all monthly publications, periodic newsletters and special releases—which are not specifically operational in nature—to our complete mailing list, we have better informed and better educated directors and committeemen who can do a better job of serving on their boards, credit and supervisory committees. Our experience has convinced us that this type of mailing program is well worth the modest investment it requires."

Texas

The Texas Credit Union League has recently prepared three manuals for its member credit unions: an informational manual, an accounting manual, and a handbook for chapter leaders. The League's new services and programs include a stabilization service and a statistical analysis program.

• Information manual. This Texas manual for operating information was prepared by the League's education department. It is kept in a loose-leaf folder which is brought up-to-date as new practices and procedures develop. At present, the manual contains some 100 releases. Fifteen releases are in preparation or under revision.

One of the manual's outstanding features is its index which is based on the Dewey decimal system (of library cataloguing) and kept up-to-date with quarterly revisions.

Member credit unions receive one manual without charge. But additional copies cost $25.

• Accounting manual. The League's accounting manual for state chartered credit unions contains 73 pages of basic accounting information, definitions and forms. It follows the outline of the accounting manual for federal credit unions but is designed to meet the needs of state chartered groups in Texas.

• Handbook for chapter leaders. This 80-page manual (4½ x 5½ inches) describes the duties of chapter officers and committees, provides program suggestions and outlines, and explains the purpose and use of parliamentary procedure.

The handbook is a joint project of the Texas and New Mexico Credit Union Leagues. Each chapter president in Texas received one copy without charge. Additional copies cost $1.60 each. Chapter leaders in other states also may purchase the handbook for $1.60 from the Texas Credit Union League, 4533 Ross Avenue, Dallas 22, Texas.

• Stabilization service. Texas' stabilization service was created by the delegates at the League's 1960 annual meeting. The delegates voted a fund of $25,000, with $10,000 for administration. The fund may be used to purchase the assets of liquidating credit unions and to make interest-free loans to credit unions which are in financial difficulties. Trustees of the fund are the five members of the League board's executive committee.

During its first 12 months of operation, Texas' stablization service assisted twenty-three groups, purchased $2,236.11 in notes from liquidating groups, and was able to prevent liquidation in eight cases. Seven of the liquidating groups paid their members 100 cents on each share dollar.

• Statistical analysis. The Texas League uses the IBM equipment of Members Mutual Insurance Company on an hourly charge basis for gathering city, county and chapter member information. These data include the number of members, shares, deposits, assets, loans, real estate loans, reserves, rate of interest refund, dividend rate, amount of dividend, number of full and part-time employees, building ownership, leasing, using free space, payroll deduction, and cash operation.

The League uses this information for news releases (chapter meetings, Credit Union Day); to provide the state's congressional delegates with detailed statistics for their own constituencies; to support requests for state legislation; and to determine the effectiveness of the field representatives in their own areas in respect to growth of shares, loans and membership in relation to potential.

Utah

Utah's State Credit Union League last year introduced **sponsors' luncheons** as a major public relations feature.

"We stage these luncheons each year in the three principal cities of our state," says Karl S. Little, the League's managing director. "For maximum effectiveness, we hold them at prestige-type locations, select a good menu and get a business man of stature to be the presiding officer."

Utah's luncheon programs consist primarily of a talk, reporting on credit union activities for the past twelve months. Either the speaker is connected with the credit union movement, or he is a businessman who is a

good speaker and sympathetic to credit unions.

Each individual credit union brings one or two of its top management people as its guests. The cost to the credit union varies from \$2 to \$3.50 per person.

Invited to sit at the head table for these luncheons are such local dignitaries as the president of the chamber of commerce, the president of the manufacturers' association, state legislators, the mayor, local officials, bankers and university presidents.

"We plan these events at least sixty days in advance," says managing director Little. "In selecting the luncheon day, we try to find the best day of the week for the community. And we make it a point that all guests receive their invitations at least two weeks prior to the luncheon. Our turnout usually varies between 125 and 200."

What results have these luncheons brought? Karl Little is fully satisfied with them. He reports that (1) a state senator approached him at the conclusion of a luncheon, assuring him that he would be glad to be the sponsor for any state legislation which the League wanted; (2) the president of a company contacted the president of his employees' credit union to inquire about the group's needs for quarters; (3) an amendment of the state's credit union law was sponsored by the president of a bank and the officers of a small loan company; and (4) the already very friendly relationship between the state's credit unions, banks and businessmen was further strengthened.

Alberta

Alberta's principal new League services are in the fields of education, auditing, organization and stabilization.

• **Education department.** "Until two years ago, we had no formal approach to education," reports E. J. Ouellette, manager of the Credit Union League of Alberta. "But with the help of CUNA's education department, we have now formalized education in our League."

Alberta's first full year with a planned education program (1960) included these activities: basic orientation for newly organized credit unions; training conferences for League directors, credit union managers, chapter officers, and officers of groups with part-time managers. The League's 1960 education budget was \$2,000. For the current year, the amount is \$7,000. And for 1962, Alberta's education budget calls for an outlay of \$14,000, including at least one full-time staff person.

• **League audit services department.** The head of this department is a chartered accountant. But he is not a member of the League staff.

Explains manager Ouellette: "Our provincial credit union act requires that credit unions with assets in excess of \$150,000 be audited by a chartered accountant. We believe that our auditing service must have professional independence, freedom from influence from all sources and furnish the same quality of audits as is expected from outsiders."

Alberta's auditing services are completely self-supporting. The League makes the initial contact between the credit union and its auditing department. It also bills the credit union for each examination and simultaneously issues a check for the full amount to the auditor. "The advantage of this arrangement," comments a League official, "is that it enables us to learn immediately about any dissatisfaction concerning our auditing services."

In return for promoting his services, the auditor assists the League in its other programs as a technical resource person and consultant.

• **Organization program.** Last year the Alberta League made a province-wide analysis to determine population growth, centers and shifts. It found a marked trend toward urbanization which it expects to level off gradually. The League's study also brought out that the remaining rural population has a tendency toward concentrating around larger community centers. And through its analysis of statistical data of various governmental and private agencies, the League has identified the rural communities which it expects to survive and grow.

"We have selected 135 rural community centers which, in our estimate, have a growth potential for good credit union operation," says Ed Ouellette. "From these 135 rural population centers we hope to realize 100 new rural credit unions during the next two years. Our whole organization effort has been geared to the local conditions in each case. For example, a southwestern section of our province is irrigation country which devotes the months of September and October to sugar beet harvest. Our organization program specifically provides that our staff will not be in this area during these two harvest months."

The Alberta League spent some five months in its population study before starting its organization program last January. It set an annual organization goal of fifty new credit unions for 1961 and 1962. Most of the new groups will serve rural communities.

Are Alberta's organizers meetings the League's organization schedule? They are ahead of it. Between January and April, they organized twenty-three new groups.

"But we do not expect to concentrate on organization indefinitely," manager Ouellette points out. "By the end of 1962 we plan to reduce the emphasis on organization and put increased effort into promotion. We believe that by alternating our emphasis, we will be able to strengthen our movement and build it more solidly."

• **Stabilization program.** Alberta initiated its stabilization program in January, 1960. The League's stabilization fund now amounts to some \$100,000 and is expected to grow by \$50,000 during each of the next two years. The fund's goal is \$200,000.

All of the League's member credit unions are contributing 5 percent of their annual net earnings to the stabilization fund. The provincial credit union statute permits them to make a proportionate reduction in the amount transferred for required reserves to their own guarantee funds.

Alberta's stabilization program is administered by a special board of unpaid trustees appointed by the League's board of directors. One of the five trustees is a representative of the government's supervisory authority.

By mid-April, Alberta's stabilization program had assisted fourteen credit unions. Six of these liquidated. The remaining eight reorganized. Comments manager Ouellette: "We usually assist our reorganizing groups by providing them with working capital through an interest-free loan."

IN THE MAIL

Those high dividends

To the Editor:

A fair question?

On February 28, Associated Press reported that Treasury Secretary Dillon appealed to the savings and loan industry to help the U.S. economy by reducing dividends and interest rates charged home buyers. He specifically directed his remarks to California associations. It was indicated in the report that if voluntary compliance failed, Congressional control may be asked.

If such a request is justified, it would seem to constitute a rather serious charge that such associations are practicing usury by charging interest rates higher than necessary in order to pay dividends higher than necessary.

Certainly credit unions, which were specifically organized to combat usury, have good reason to examine their reasons for either subsidizing the activities of savings and loan associations which engage in such practices, or imitating them. It would seem a fair question to ask if credit unions are not doing so either by investing in these associations or by paying dividends equal to or in excess of their rates, when it is not clear that it is necessary to do so in order to attract regular savings out of income. I would suggest that credit unions paying a dividend of 5% or more seriously consider their reasons, moral, legal and philosophical, for doing so. It will be a sad day if credit unions become the object of national attention because of usurious practices that endanger our national economic health.

Donald J. McKinnon
Dearborn, Michigan

Education loans

To the Editor:

The article on "Loans for Education" appearing in your April 1961 Credit Union Bridge was very interesting and since our Credit Union has begun making educational loans as of September 1960 we thought perhaps you might be interested in the attached explanation of how our educational loans are handled.

At the present time we have made seven educational loans and feel that numerous additional loans will be made within the near future after the plan receives more publicity.

We are well pleased with the educational loan program in our area.

Warren G. Singletary
Garland, Texas

Attachment

The Board of Directors of the Kraft Employees Credit Union has adopted a new loan program which will enable any dependent of a Kraft employee to obtain an educational loan. The loan will be made to the student; however, the parent or guardian of the student must be a cosigner. The details of this loan program are as follows:

Any student who is a dependent of a Kraft employee and who is registered as a full time degree candidate in an accredited institution of higher learning may apply for a loan. Applicants must be citizens of the United States, at least 17 years of age, dependent of a Kraft employee, Christian in character, sound in health, financially reliable, and give promise of future usefulness. Applicants are required to maintain a "C" average during the semester immediately preceding application, and be wholly or partially self-supporting.

Loans may also be secured by degree candidates attending professional schools providing such schools are fully accredited by their respective accrediting agencies.

Loans are available for summer study when the applicant is a full time degree candidate, with the amount available depending on academic standings and credit hours.

Loans are not made to husband and wife at the same time, nor to individuals when any other member of the family has a delinquent account with the Kraft Employees Credit Union.

Any qualified student may borrow as much as one thousand dollars each school year during his entire educational program, but this loan is made available only on the basis as stipulated below:

The Kraft Employees Credit Union will loan up to $1,000.00 each school year to qualified students for tuition, room and board, books, and $100 incidental expenses. The university or college will bill the Kraft Employees Credit Union, Forest Lane, Garland, for these items, and will be paid direct by the Credit Union.

The loan must be repaid $100 plus interest each month for the months of June, July, and August, or a total of $300 a year plus interest.

The balance would be renewed and any additional funds required added to the note.

The loan would become payable the second year after graduation, and then repaid in equal installments over a period of five years.

Loans for students who do not complete a full time school attendance become payable the first month after withdrawal from school.

If any employees desire to obtain a loan of this nature, then the regular Credit Union application blank should be completed and returned along with the student application form for a Kraft Employees Credit Union loan, as well as three letters of reference from persons other than relatives.

The loan will be reviewed by the Board of Directors, and if the Board feels that the student qualifies for a loan under the Kraft Employees Credit Union Student Loan Program, then they will be advised of their acceptance and the procedure to follow in regard to the obtaining of funds under the program.

Figuring dividends

To the editor:

Now that the dividend season is over, and observing the various methods used in dividend calculation by credit unions, I enclose the method for dividend calculation that I adopted some years ago when I became treasurer of St. Patrick's Credit Union.

This method is used when members' savings are calculated in share months, to reduce the time factor in changing the total share months to any percentage that may be decided at the Annual Meeting.

This method is by the use of factors, using an adding machine for the calculation.

The share month total is simply multiplied by the given factor according to the percentage of dividend to be arrived at. List of percentages and the corresponding factor to be used:

3	125
3¼	13542
3½	14581
3¾	1563
4	1667
4¼	1771

(*Continued on page 32*)

IN THE MAIL

(*Continued from page 30*)

$4\frac{1}{2}$	1875
$4\frac{3}{4}$	198
5	2084
$5\frac{1}{4}$	2188
$5\frac{1}{2}$	2292

The equation used to produce these factors is as follows: 100 equals 20 shares or 240 total share months; 1 equals .24.

The percentage is therefore divided by .24 to produce the factor. Example —$1000 equals 2400 total share months; therefore, 2400 multiplied by the factor of $4\frac{1}{2}$ percent which is .1875 equals $45.

The calculation is best done by a 10-key adding machine; would take 15 seconds to compute. If an adding machine which retains the constant is used, the calculation would take less than 10 seconds to compute.

William Tonner, treasurer
St. Patrick's Credit Union
Vancouver, B.C.

IN THE NEWS

(*Continued from page 15*)

Spokesmen anticipate the number will triple in the next decade. Credit union spokesmen anticipate 50 percent more credit unions by 1970! Should this be realized, there probably would be far more credit unions than banking offices before the close of the 1960's!' "

Five leagues are taking part in the first steps of incorporating the *International Credit Union Stabilization Program, Inc.*, and signers of incorporation papers will be W. O. Knight Jr., South Dakota; R. E. Thomas, Louisiana; Wayne Bornemeier, Nebraska; Forrest Foster, Michigan; and Jack A. Mitchell, Texas. The fund is planned to be modest at first in order to encourage participation by the smallest leagues. Joseph O'Connell, CUNA director from *Nova Scotia* and Chairman of CUNA district 2, has been named CUNA vice-president from District 2, Eastern Canada.

An article by *H. Vance Austin*, CUNA managing director, discussing the increased competition between credit unions and banks, appears in the summer issue of the I. U. D. Digest, the Industrial Union Department of AFL-CIO's quarterly publication. New York *Governor Nelson Rockefeller* recently vetoed a League-sponsored bill that would have increased the permissible aggregate unpaid amount of unsecured loans by a credit union, with over $1.5 million in capital, from 80 percent of its outstanding shares to 85 percent of its assets. Governor Rockefeller called the bill "unsound in basing the lending power of credit unions on a percentage of assets rather than on a percentage of outstanding shares."

CUNA's public relations department recently received a request from the American school at the *American embassy in Tel Aviv*, asking for CUNA's teacher's guide on credit unions. Charles W. Jones Jr., former president of the *Tennessee League*, has been named president of the *South Carolina League*.

Brochures have been sent from Madison to all credit unions to give them full information on CUNA's bonding program and recent program changes. The brochures explain bonding coverage, faithful performance, and the new discovery coverage endorsement.

A bill that would have completely revised Michigan's credit union law has been killed by a House committee in Lansing. The bill was introduced without the knowledge or support of state credit union leaders, and was considered harmful by the *Michigan League*. The *South Carolina League* will hold its first management conference Sept. 13 to 16 at Pawley's Island.

COMING EVENTS

May 4-6—Annual conference and educational sessions, **International Association of Managing Directors**, Alpine Inn, Ste. Adèle, Quebec.

May 7—**I. A. M. D.** business meeting, Alpine Inn, Ste. Adèle, Quebec.

May 7-14—**CUNA and affiliates'** annual meetings, Queen Elizabeth Hotel, Montreal, Quebec.

May 10—9 a.m., **CUNA Mutual board; —CUMIS board;** 8 p.m., **CUNA Supply board.**

May 11—**Twelfth District** meeting.—9 a.m., **CUNA executive committee;** 2 p.m., **CUNA Supply membership** meeting;—New **CUNA Supply board.**

May 12—9 a.m., **CUNA board.**

May 13—9 a.m., **CUNA board.**

May 20-21 — **Wyoming** Credit Union League annual meeting, City-County Building, Casper.

May 26—**British Honduras** Credit Union League annual meeting, Belize.

June 1-4—**New York** State Credit Union League annual meeting, Laurels Country Club, Monticello.

June 16-17—**Alabama** Credit Union League annual meeting, Finden Hotel, Butte.

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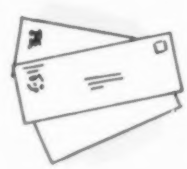

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